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# How can facility managers add value?

By Per Anker Jensen and Theo van der Voordt

Recent years have seen a growing interest in the concept of added value of facilities management (FM) and corporate real estate management (CREM), and how to attain and measure it. There is a wide variety of definitions in use, and recognition of different types of added value, such as user value, customer value, financial value, environmental value and relationship value.

Workshops with practitioners have confirmed that the concept of added value is interpreted in many ways. Prioritisation of different types of added value appears to be highly subjective and dependent on an individual's position, experience and personal beliefs, and it seems to be difficult to detail specific measures of how to add value.

In order to further explore how people in practice manage added value, we interviewed a number of

experienced senior facility managers, corporate real estate managers, consultants and service providers in Denmark and the Netherlands.

## Daily Practice

It was found that almost all the interviewees use the term added value in daily practice. It is used both to demonstrate the added value of one's own function or department and to discuss the added value of interventions in accommodations and related facilities and services.

The focus on added value depends on the involved stakeholders

According to one of the interviewees:

- Shareholders focus almost one-sidedly on a high return on investment and low risk, costs and reliabilities.
- The Board of Management usually connects added value to their strategic vision and policy and steer on maximum turnover (volume of business), minimum costs, and a high Ebit (earnings before interest and taxation).
- Heads of regional units have to cope with both top-management needs (profit), regional customers and employee requirements. They try to find a balance between cost reduction and benefits such as attraction and retention of talented staff.

Site managers focus more on operational issues and employee satisfaction.

One of the advantages of applying the added value concept is that the dialogue is moved away from the contractual agreement and the Service Level Agreements. One of the respondents explains: "It makes the customer feel that you are interested in his business and not just in submitting the next bill. It makes it possible to raise the level of the whole facility management provision". It helps to speak the language that top managers understand.

The downsides of added value as a concept are that it is:

- perceived differently by different people
- difficult to be made operational, and

- difficult to measure in economic terms

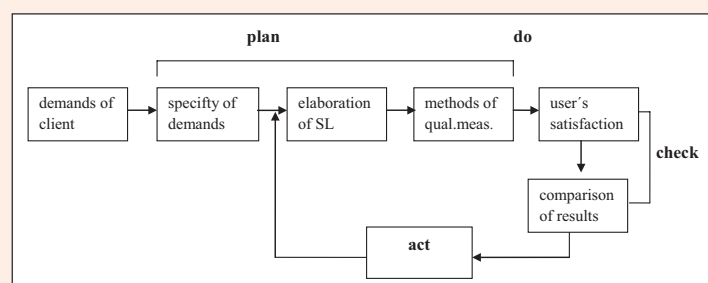
It is critical to understand which value is most important for the client or customer and what he or she really needs – which often is more than simply solving the current problem.

Most practitioners perceive added value as the trade-off between benefits and costs, and focus on achieving value-for-money and making the core business more effective. Value has both an economic meaning and meanings related to subjective qualities, such as making things easier to be managed. Various interviewees made a distinction

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## Optimization of the operation of sustainable buildings applying the facility management

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Scheme 2: Management of quality

technical administration must also perform:

- detection of failures,
- ensuring the early assistance of maintenance workers in the case of incurred failures to avoid the subsequent damages,
- monitoring of technical and technological equipments,
- receipt of requirements for services, for example, through the help desk or service line.

In order to analyze and assess the maintenance performance of equipments a record must always be done after finishing the works. In this connection, the number of workers necessary for the execution of works, the required material and spare parts are also assessed. The information is a background for the next planning of

the technological regular-maintenance procedure which can also include the technological procedure of repairs, the distribution according to individual working steps, etc. [5]

5. The definition of the quality of the technical administration - Management of quality (PDCA) [6]

An important part of the technical administration is provide a failure free operation of the technological equipment for compliance with the PPS. Quality of the maintenance meets this requirement.

The management of quality is aimed to ensure the maintenance of technological equipments in such a quality to fulfil the requirements of the organization (client) for their continual failure-free operation, to ensure the optimization of the maintenance process and the continual improvement.

The specification of requirements, elaboration of the service level (SL) and the definition of methods for measuring the quality are part of the P phase (plan) followed by the performance of services D (do). The phase of checking C (check) includes audit and the comparison with requirements for the quality of provided services. The analysis is a part of the phase A (act). On the basis of the results gained by the analysis the optimization of rendered services is determined and the whole check cycle is repeated.

## Conclusion

In this period of time, when there exists a trend of decreasing the energy consumption not only from the aspect of costs but primarily from the viewpoint of the accessibility of their sources, sustainable buildings considered the energetically effective structures with a minimum negative influence on the environment are an urgent problem of the present time.

Energy efficient, and thus the

economic effectiveness of sustainable buildings is defined already at their designing realized on a basis of the proposal for highly sophisticated technological equipments with projected parameters serving as the projected parameters of sustainability in sustainable buildings. The observance of given projected parameters of the equipments is an assumption of creating the optimum operation ensuring the optimum working environment for users of the sustainable buildings.

A tool for achieving the optimum operation is a choice of the most convenient technical administration of the highly sophisticated technological equipments. The application of the facility management in the technical administration and co-operation with quality management will permit to develop the optimum operation and achieve the multiplication effect of the energetic effectiveness of sustainable buildings.

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- [6] STN EN 15221-3 Quality in Facility management

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between what they called hard economic aspects and more soft aspects related to health, safety, environment and quality.

Added value is mostly treated on a strategic level, but it is of relevance on all levels and for everybody in the facility management organisation. It should be part of the organisational culture. However, talking about added value on an operational level can also be counterproductive because "operational managers don't have a clue of what added value actually means".

The areas of focus in facility management also depend on the context. When the economy is booming, avoiding dissatisfaction and commotion might be key issues, whereas in times of economic recession, cost reduction will be core. The size of the company is a factor as well. In small firms facility management is mainly operational.

### Prioritised values

The interviewees were asked as an open question "What are your top five values in the management of accommodations, facilities and services?" The responses per respondent are collected in Table 1.

Cost and satisfaction were most frequently prioritised. However, satisfaction is seen as much more important than cost in Denmark, while cost is seen as much more important than satisfaction in the Netherlands. Productivity is also often prioritised. Values in relation to adaptation and environment are also mentioned in both countries, while culture only is represented in the Netherlands.

The respondents were further asked

about their approaches to six key values – satisfaction, cost, productivity, reliability, adaption and culture. They were asked how they worked to enhance them, and how they measured them.

Satisfaction concerns the impact of FM or CREM on satisfaction of customers, staff/end users and owners. One of the respondents said that customer satisfaction has been most important but user satisfaction has become increasingly important. Satisfaction is often measured quantitatively by surveys, or more qualitatively, for instance, by mystery visits. Surveys results are often benchmarked across organisations.

Cost covers operational cost, staff turnover and capital investments. Cost reduction is obviously an important objective, but transparency was mentioned as well. Cost impacts are often measured and also benchmarked, both in € and m2 per person, per full-time equivalent or per workplace, occupancy level, total costs of ownership per m2, or in terms of affordability, e.g. the ratio between facility costs and total costs of running a business.

Productivity is related to efficiency, low staff absence and effectiveness. The impact of FM and CREM on core business productivity is difficult to measure. Often productivity impact is not measured directly but addressed more qualitatively in discussions, business cases and performance reviews. Impact on productivity is rarely benchmarked.

Reliability is associated with business continuity, security and safety. The respondents' views on reliability varied a lot. One view is that reliability is at the lowest level of the Maslow pyramid of needs and therefore is not a motivation factor, which can add value. Another interviewee in a biotech company said that down-time is very important to

control and that compliance to legal requirements has top priority. Reliability is mostly measured in terms of response time and business continuity.

Adaptation is linked to foresight, flexibility and responsiveness. Adaptation is mostly considered on a high management level in relation to capital investments and contract negotiations. A CREM interviewee said that technical flexibility and flexibility in renting are becoming more important.

Culture concerns organisational identity, corporate image and corporate brand. For some companies branding is important, but not for all. Some view culture as related to the image of FM and not as a corporate concern. One interviewee mentioned monitoring the image of FM internally (employee monitor) and externally (customer monitor) and remarked that external image is often more important than internal image. Engagement, i.e. a sense of belonging and being committed to the company, was mentioned more than once as well.

Besides KPIs there are also other ways to visualise or document added value. Providers often prepare performance reviews with fixed intervals to their customers. Other examples are business cases for specific initiatives and reports on finished projects. Added value is also included in the communication with stakeholders in less formal ways as part of on-going dialogue and storytelling. Management of expectations is an important aspect of adding value.

### Conclusions

Regarding the definition of added value, all respondents referred to both the benefits and costs of FM/CREM interventions. Benefits are mainly linked to clients, customers and end users but also to shareholders and – less often - to society as a whole. Practitioners mainly steer on the impact of FM and CREM

on the core business and organisational performance, and this is also essential in provider companies' sales arguments.

The prioritised values are costs and satisfaction, followed by productivity. Impact on the surroundings was mentioned in terms of sustainability, increase energy conscience and reduce CO2 emissions, and Corporate Social Responsibility.

Although various conceptual models and frameworks have been developed to visualise the added value of FM and CREM, it's apparent that such academic contributions are not yet ready to be implemented into daily practice. Interviewees expressed a need for a clear framework that links concrete FM and CREM interventions to well defined types of added value, key performance areas and KPIs. Furthermore there is an urgent need for best practices, empirical data and stories to illustrate the possible added value of various FM or CREM interventions to CEOs, clients, customers and end users. We hope to cope with this need in our next book on Facilities Management and Corporate Real Estate Management as Value Drivers: How to manage and measure added value, which is expected to be published in 2016.



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### References

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ID	1st	2nd	3rd	4th	5th
DK1	Transparency of cost and priorities	Scalability	Release management resources	User satisfaction	Satisfaction with service provider
DK2	Core Business objectives	Innovation	Coherent strategy between Core Business and FM	Productivity of Core Business	Communication
DK3	Create time	Create well-being			
DK4	Satisfaction of outsourced staff	Make processes smarter	Improvements and innovation	User centricity and service orientation	Corporate Social Responsibility
DK5	Increase energy conscience and reduce CO2 emissions	Ease of operation	Deliver better service with less or the same cost	Satisfaction	
NL1	Profit (ebit); improving cash position	Cost reduction	Transparency of Real Estate data for shareholders		
NL2	Cost reduction	Affordability			
NL3	Sustainability	Cost reduction	Identity	Satisfaction	
NL4	Cost reduction	Improving Core Business / Productivity	Health		
NL5	Efficient use of space	Forecasting future m2-needs	Balance between owned buildings, rented buildings and sale & lease back	Forecasting of future capital need	Engagement

Table 1: Prioritised values from ten respondents in Denmark and the Netherlands